



May 19, 2009

The Honorable Charles Terreni
Chief Clerk and Administrator
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: SCPSC Docket No. 2005-385-E
Direct Testimony of Laura A. Bateman

Dear Mr. Terreni:

Enclosed for filing in the above-referenced docket is the Direct Testimony of Laura A. Bateman on behalf of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Len S. Anthony', with a large, sweeping loop at the end.

Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

LSA:mhm

cc: Ms. Shannon Hudson
Mr. John Flitter
All Parties of Record

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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-385-E

Petition of the Office of Regulatory Staff to)
Establish Dockets to Consider)
Implementing the Requirements of Section)
1251 (Net Metering) of the Energy Policy)
Act of 2005)

CERTIFICATE OF SERVICE

I, Len S. Anthony, hereby certify that copies of PEC's Direct Testimony of witness Laura A. Bateman has been either e-mailed or placed in the U. S. Mail on this date, to the parties of record at the addresses shown below, with sufficient postage attached:

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This the 19th day of May, 2009.



Len S. Anthony, General Counsel
Progress Energy Carolinas, Inc.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-385-E

IN RE:

Petition of the Office of Regulatory Staff to)	DIRECT TESTIMONY OF
Establish Dockets to Consider Implementing)	LAURA A. BATEMAN ON BEHALF
the Requirements of Section 1251 (Net)	OF CAROLINA POWER & LIGHT
Metering and Additional Standards) of the)	COMPANY D/B/A PROGRESS
Energy Policy Act of 2005)	ENERGY CAROLINAS, INC.

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Laura A. Bateman, and my business address is 410 South Wilmington Street,
3 Raleigh, North Carolina, 27602.

4 **Q. BY WHOM ARE YOU EMPLOYED?**

5 A. I am employed by Progress Energy Services Company.

6 **Q. WHAT IS YOUR POSITION WITH PROGRESS ENERGY SERVICES**
7 **COMPANY?**

8 A. My position is Manager, Progress Energy Carolinas ("PEC") Utility Regulatory Planning.

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND OCCUPATIONAL**
10 **BACKGROUND.**

11 A. I obtained a bachelors degree from the University of Massachusetts at Amherst in 1994
12 and an MBA degree from the University of North Carolina at Chapel Hill in 2003. Since
13 2003, I have been employed at Progress Energy in a variety of roles in Risk Management,
14 Treasury, and Regulatory Planning. I have been in my current position as Manager of
15 PEC Utility Regulatory Planning since September 2007. In this position, I have

1 responsibility for PEC's rate design and administration and for the Company's cost of
2 service development.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. The purpose of my testimony is to provide an update on the status of PEC's Net Metering
5 program since the time of the Commission's June 24, 2008 order in this docket.

6 **Q. WHAT STEPS HAS PEC TAKEN TO COMPLY WITH THE COMMISSION'S**
7 **JUNE 2008 ORDER IN THIS DOCKET?**

8 A. In compliance with the Commission's order, PEC filed net metering riders with the
9 Commission on June 27, 2008, and made these riders available to customers effective
10 July 1, 2008. In addition, PEC updated its website to provide South Carolina customers
11 information on PEC's net metering program, interconnection, and other helpful resources
12 for customer generators, including a link to a database of state incentives for renewable
13 energy. PEC also trained additional customer relations personnel to be able to respond to
14 net metering inquiries and assist customers through the process and created a designated
15 e-mail address, NetMetering@pgnmail.com, for customers with net metering questions.

16 **Q. PLEASE DESCRIBE PEC'S NET METERING RIDERS AND OTHER OPTIONS**
17 **AVAILABLE TO CUSTOMER GENERATORS IN SOUTH CAROLINA?**

18 A. Customer generators with renewable generation of less than 10 kW for residential
19 systems and less than 100 kW for commercial systems have two primary options
20 available to them: 1) they can "sell all" of their renewable output to PEC or 2) they can
21 net meter. Under the "sell all" option, customer generators sell the output of the
22 renewable generation to PEC at the Company's Cogeneration & Small Power Producer
23 ("CSP") Rate, which represents the true value of the excess generation to PEC and its

1 other ratepayers, and may also be eligible for incentives from the Palmetto Clean Energy
2 (“PaCE”) program in South Carolina.

3 Under the net metering option, PEC has two riders that customers can choose from: 1)
4 Net Metering for Renewable Energy Facilities Rider NM-3A, and 2) Net Metering for
5 Renewable Energy Facilities (Excess Energy Sales) Rider NME-1. Under both rider
6 options, customers may use the output of their generation to offset their consumption and
7 may create credits for any excess energy delivered to PEC’s grid. Under Rider NM-3A,
8 customers must be on a time-of-use rate schedule with demand rates, either Residential
9 Time-of-Use (“R-TOUD”) or Small General Service Time-of-Use (“SGS-TOU”) rate
10 schedules, and the credit for the excess energy is based on the on- or off-peak energy rate
11 in those rate schedules. Under Rider NME-1, customers may be on any available rate
12 schedule, and the credit is at the on- or off-peak energy rate in the Company’s CSP rate
13 schedule. Standby service provisions are not required under either rider.

14 **Q. HOW MANY OF PEC’S SOUTH CAROLINA CUSTOMERS CURRENTLY**
15 **PARTICIPATE IN THE NET METERING PROGRAM?**

16 A. Currently, PEC has two South Carolina Customers participating in its net metering riders.
17 One residential customer began net metering in October 2008, and one commercial
18 customer began net metering in December 2008.

19 **Q. WHAT ADDITIONAL STEPS HAS PEC TAKEN RELATED TO NET**
20 **METERING SINCE THE COMMISSION’S JUNE 2008 ORDER?**

21 A. In the fall of 2008, the Office of Regulatory Staff (“ORS”) coordinated an Advisory
22 Group to assist them in preparing their report entitled “Net Metering in South Carolina:
23 Current Status and Recommendations.” The Advisory Group included representation

1 from customer generators, installers of distributed generation, legislators, community
2 representatives and utilities. PEC participated in this Advisory Group, and provided
3 input into the report. The report was published on January 1, 2009, and can be accessed
4 via the internet at
5 <http://www.energy.sc.gov/publications/Final%20Net%20Metering%20Report.pdf>. The
6 report contains seven recommendations for changes to South Carolina's net metering
7 requirements. These recommendations resulted from extensive discussions among the
8 members of the Advisory Group and the ORS.

9 **Q. DOES PEC SUPPORT THE SEVEN RECOMMENDATIONS SET FORTH IN**
10 **THE REPORT?**

11 A. Generally, yes, with a few caveats. PEC supports each customer paying the cost incurred
12 to provide electric service, to the extent practical given the confines of average cost
13 ratemaking. Adoption of the report recommendations will result in some net metering
14 customers paying less than the cost of providing service and, therefore, will create a
15 subsidy that will be borne by other ratepayers. PEC does not object as long as this
16 subsidy is recognized and provisions are made to allow timely recovery.

17 **Q. PLEASE COMMENT ON THE FIRST RECOMMENDATION TO**
18 **STANDARDIZE NET METERING PROGRAM STRUCTURES ACROSS**
19 **UTILITIES.**

20 A. PEC believes that standardization of net metering policies has already been achieved to a
21 large extent through the Commission's earlier orders regarding net metering. However,
22 PEC is willing to work with the ORS and other utilities to improve the standardization of
23 the programs, to the extent practical.

1 **Q. THE SECOND RECOMMENDATION WAS TO MODIFY THE RESIDENTIAL**
2 **FLAT RATE OPTION TO ALLOW “1 FOR 1” OFFSET OF USAGE FOR**
3 **EXCESS GENERATION RATHER THAN THE CURRENT APPROACH OF**
4 **OFFERING A CREDIT AT THE CSP RATE. SINCE THIS WILL CREATE A**
5 **RATE SUBSIDY OF THESE NET METERING CUSTOMERS BY OTHER**
6 **RATEPAYERS, THE THIRD RECOMMENDATION WAS TO ALLOW AN**
7 **ANNUAL RIDER OR OTHER MECHANISM TO RECOVER THIS IMPACT.**
8 **PLEASE COMMENT.**

9 **A.** The current NME-1 Rider compensates the net metering customer at a rate that reflects
10 the value of the excess generation provided to the grid. Increasing the credit paid to these
11 customers to the full residential flat rate (that includes recovery of generation,
12 transmission, distribution and other costs) will reward the net metering customer in
13 excess of the true value of the excess generation. The costs not recovered from the net
14 metering customers will be shifted to other customers. This is a public policy decision
15 that needs to be considered by the Commission. While an annual rider for recovery of
16 net metering related costs may not be necessary currently due to the limited number of
17 net metering customers, such a rider should be an option open to each utility in the future.
18 As I will describe later in this testimony, the North Carolina Utilities Commission
19 recently considered this question and decided to offer residential customers a “1 for 1”
20 offset under standard non-TOU tariffs, provided any Renewable Energy Credits
21 (“RECs”) associated with the renewable generation were provided at no cost to the
22 utility. This offered customers a true “1 for 1” net metering tariff and provided other

1 ratepayers compensation (the value of the RECs) to offset the subsidy offered by the rate
2 tariff.

3 **Q. HASN'T PEC ALREADY ADOPTED THE FOURTH RECOMMENDATION TO**
4 **ELIMINATE STANDBY CHARGES FOR RESIDENTIAL CUSTOMERS WITH**
5 **RENEWABLE GENERATION?**

6 A. Yes, all three of PEC's residential tariffs already state that standby service is not required
7 for non-fossil generation such as wind, hydropower and solar.

8 **Q. DOES PEC SUPPORT THE SIXTH RECOMMENDATION THAT THE RECS**
9 **PRODUCED BY RENEWABLE GENERATORS BE RETAINED BY THE**
10 **CUSTOMER?**

11 A. PEC believes that the question of ownership of the RECs produced by net metering
12 customers should be decided in the overall context of all the terms and conditions
13 applicable to net metering. For instance, if flat rate net metering customers are given a "1
14 for 1" credit, PEC and its other customers subsidize these customers. One way to offset
15 this subsidy is to assign ownership of RECs to the utility, at no additional cost. For net
16 metering customers that receive a time-of-use or avoided cost-based credit, retaining
17 ownership of the RECs is more appropriate, because there is less cross subsidization
18 involved. This approach would be consistent with recent net metering changes adopted
19 by the North Carolina Utilities Commission.

20 **Q. THE FINAL TWO RECOMMENDATIONS OFFERED IN THE REPORT**
21 **INVOLVE ANNUAL REPORTING TO THE ORS AND STATE ENERGY**
22 **OFFICE REGARDING CUSTOMER GENERATORS AND A PROCESS TO**

1 **REVISIT NET METERING WITHIN FOUR YEARS. DOES PEC SUPPORT**
2 **THESE RECOMMENDATIONS?**

3 A. PEC is agreeable to providing the ORS and State Energy office with summary level
4 information they may require regarding renewable generators provided it doesn't breach
5 any confidentiality requirements for individual customers. Renewable generation is
6 expected to grow in response to regional REPS requirements, tax incentives, federal
7 stimulus funds, and a likely federal RPS and a developing market for RECs. PEC
8 concurs that net metering should be monitored and re-considered by the Commission as
9 participation increases and more experience is gained.

10 **Q. WHAT IS THE STATUS OF NET METERING IN PEC'S NORTH CAROLINA**
11 **JURISDICTION?**

12 A. On March 31, 2009, the North Carolina Utilities Commission ("NCUC") issued an order
13 in its net metering docket (E-100, Sub 83). The order included several provisions,
14 including:

- 15 ○ Requiring utilities to offer net metering for all available rate schedules.
16 Previously, customers were required to be on a time-of-use rate schedule with
17 demand charges.
- 18 ○ Addressing the issue of RECs. If a customer is on a time-of-use rate schedule
19 with demand rates, the customer retains ownership of the RECs. Otherwise,
20 ownership of the RECs must transfer to the utility at no cost as part of the net
21 metering agreement.
- 22 ○ Prohibiting utilities from charging standby charges for customer generation under
23 20 kW for residential systems and under 100 kW for commercial systems.

1 PEC updated its North Carolina net metering riders to comply with the NCUC order and
2 the revised riders become effective June 1, 2009.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**